Docket Nos. 02-0798/03-0008/
03-0009 (Consolidated)
ICC Staff Exhibit 11.0R

REVISED REBUTTAL TESTIMONY

OF

ERIC LOUNSBERRY

Engineering Department
Energy Division
Illinois Commerce Commission

Proposed General Increase in Gas Rates

Central Illinois Public Service Company

d/b/a

AmerenCIPS

and

Union Electric Company

d/b/a

AmerenUE

Docket Nos. 02-0798/03-0008/
03-0009 (Consolidated)

June ~~5~~ 17, 2003

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Q. Please state your name and business address.

A. My name is Eric Lounsberry and my business address is Illinois Commerce Commission, 527 East Capitol Avenue, Springfield, Illinois 62701.

Q. Are you the same Eric Lounsberry who previously submitted testimony in this proceeding?

A. Yes. I previously submitted direct testimony in this proceeding, ICC Staff Exhibit 4.0, with supporting Schedules 4.1 UE through 4.3 UE as well as 4.1 CIPS through 4.9 CIPS.

Q. What is the purpose of your rebuttal testimony?

A. My rebuttal testimony responds to the revised rebuttal testimony of Jimmy L. Davis.

Q. Do you have any schedules attached to your rebuttal testimony?

A. Yes. I have the following schedules attached:

Schedule 11.1 UE	Summary of Adjustments
Schedule 11.2 UE	AMR Expenses
Schedule 11.1 CIPS	Summary of Adjustments
Schedule 11.2 CIPS	Ashmore Storage
Schedule 11.3 CIPS	Sciota Storage
Schedule 11.4 CIPS	Johnston City Storage
Schedule 11.5 CIPS	Storage Field Usage Rate

Q. What recommendations are you making in your rebuttal testimony?

A. I recommend Union Electric Company ("UE") reduce its working capital allowance for gas in storage by $2,000, that it specify in its tariff that it will meet all requests for new service under certain conditions within 15 working days, and that the Commission disallow $210,000 in test year expenses related to its decision to institute an Automated Meter Reading ("AMR") project. I also provide an explanation as to why information using future gas prices as the basis for the uncollectibles expense amount is inappropriate.

I recommend Central Illinois Public Service Company ("CIPS") reduce its working capital allowance for gas in storage by ~~$891,000~~ 842,000, that it retire the Belle Gent storage field, and that it specify in its tariff that it will meet all requests for new service under certain conditions within 15 working days. I also provide an explanation as to why information using future gas prices as the basis for the uncollectibles expense amount is inappropriate.

UE Adjustments

Working Capital Associated with Gas in Storage

Q. What recommendation did you make in your direct testimony regarding the amount of working capital allowance that UE should receive for the working gas contained in its leased natural gas storage field?

A. I recommended that the Commission reduce UE's requested working capital allowance by $127,000. This reduction involved two parts. The first involved

taking into account the higher than average levels of natural gas contained in storage during the test year versus historical years. This adjustment was for $125,000. The second involved making a minor correction due to the use of actual information rather than estimated information. This adjustment was for $2,000.

Q. Did UE dispute your recommendation?

A. Yes and no. UE disputed the $125,000 adjustment, but was silent with regard to the $2,000 adjustment. Therefore, I am assuming UE does not dispute the second part of my adjustment.

With regard to the $125,000 issue, UE noted that the reason the average volume of natural gas in the leased storage field was higher during the test year than historical levels was that it had changed the contractual terms of the leased storage agreement to increase the volume of natural gas reserved at the field and that UE has contracted for this increased amount in the future. Therefore, the historical volumes should not correlate to the test year volumes.

Q. Do you agree with UE that due to the change in contractual terms the volumes requested in this proceeding would not correlate to historical levels?

A. Yes. Therefore, I am withdrawing my recommendation to reduce the working capital allowance by $125,000.

Q. What is your overall recommendation regarding UE's requested working capital allowance for its gas in storage?

A. I recommend the Commission reduce UE's requested working capital allowance for gas in storage by $2,000 as shown on ICC Staff Exhibit 11.0R, Schedule 11.1 UE.

Installation of New Services

Q. What recommendation did you make in your direct testimony with regard to UE's general terms and conditions as it relates to the installation of new services?

A. I recommended that the Commission modify UE's tariff to include a commitment to install new services in 15 working days or less.

Q. Did UE agree with your recommendation?

A. No. Mr. Jimmy Davis, in his revised rebuttal testimony, AmerenCIPS/UE Exhibit No. 11.0 (Rev.), provided five points to dispute my recommendation. These points are summarized below:

1) Ameren is not aware of any problem that requires the proposed time limit;

2) Staff's proposed language does not take into account extenuating circumstances beyond the control of Ameren;

3) Staff's proposed language may hamper Ameren's ability to efficiently and effectively schedule work that needs accomplished;

4) Ameren's work force reduction does not impact people that install services; and

5) Ameren is concerned whether a rate case is the appropriate venue for this topic.

Q. Do you agree with Mr. Davis that there does not currently exist a problem that requires UE to add the proposed language to its tariff?

A. Yes. However, that was not the reason for my recommendation. My recommendation was intended to have requirements in place that would keep the amount of time it took to provide service to new customers at a reasonable level. As I noted in my direct testimony, UE has indicated that it intends to reduce staffing through an early retirement program. A 15-day new service installation time limit is a proactive step that will help ensure that UE does not cause service deterioration with its resource reductions.

Q. Do you agree with Mr. Davis' second comment that the proposed language does not take into account extenuating circumstances beyond the control of Ameren that could cause it to not meet the 15-day time limit?

A. Yes. I am willing to alter the language to account for some of the circumstances that Mr. Davis noted as potential reasons for missing the deadline, such as work stoppages and specialized equipment requests. However, Mr. Davis also noted other topics that, if included, would exempt it from the 15-day deadline for virtually every possible reason, such as an excessive number of requests.

Therefore, I propose the following sentence be added to my proposed language:

The 15-day time limit does not apply in those instances where specialized equipment is necessary for or to install the service connection or in the event of work stoppages, insurrection, acts of terrorism, or other calamities that require the Company's resources be directed elsewhere.

Q. Do you agree with Mr. Davis' third comment that the proposed language would create staffing problems and inefficiencies because the utility would need staff available to connect new customers within the mandatory time frame under all circumstances?

A. No. Since I agreed to add language to exclude those circumstances where specialize equipment is needed or other events that would impact UE's ability to provide timely service, I believe the potential for staffing problems and inefficiencies should be reduced if not resolved.

Q. Why do you believe the potential for staffing problems and other inefficiencies will be resolved through the additional language?

A. I believe UE should be as efficient as its sister company Central Illinois Light Company ("CILCO"). In the recent CILCO rate case, (Docket No. 02-0837, Staff Exhibit 11R, pages 15 and 16), CILCO made virtually the same arguments with regard to efficiency of its operations. However, CILCO estimated, for the period 2000 through 2002, it had fulfilled 95% of the new customer requests within 15 working days, even when taking into account the need for specialized equipment or other areas of concern that CILCO discussed (UE also raised the same arguments). This information demonstrated to me that very little, if any, of

CILCO's work practices would require alteration should the Commission accept Staff's recommended 15-day time limit for new service installations.

Q. For what percentage of customers was UE able to provide new service installations within 15 working days?

A. I do not know. I have sent a data request asking for this information from both UE and CIPS but as of the date of my rebuttal testimony I have not yet received a response. I request that both UE and CIPS discuss the response to Staff's data requests in surrebuttal testimony.

Q. Do you agree with Mr. Davis' fourth comment that the early retirement program did not impact employees who are involved with the installation of new services; therefore, there will not be an impact on installation time for new services?

A. No. It is my understanding that the employees who are involved with the installation of new services were not part of the early retirement offering discussed in Mr. Davis' testimony. Therefore, it was impossible for any of those employees to take early retirement. However, given UE's early retirement offering to other employees, it is possible the employees used to install new service could also become reduced in the future, either through an early retirement offering, layoff, or just through attrition. Therefore, I believe my concern about workforce reduction impacting the amount of time to install new services is justified.

Q. Do you agree with Mr. Davis' fifth comment that a rate case is not the appropriate venue for this sort of recommendation?

A. No. The Commission is not precluded from addressing topics in a rate case that potentially impact the reliability and efficiency of service to ratepayers. Further, my comments regarding the application of the same standard to all gas utilities in other rate cases was intended to show that Staff was not singling out UE or CIPS, but that the same consistent treatment would be applied to all gas utilities.

Q. Do you have any other issues with regard to adding the 15-day time limit that you wish to address at this time?

A. Yes. In the CILCO rate case, Docket No. 02-0837, mentioned above, CILCO raised a concern about how it would become aware of when the customer had completed site preparation and the 15-day time limit would begin. To address that concern, I recommended certain language changes to the proposed language in that proceeding. I believe, in order to remain consistent and to avoid any potential confusion, a similar clarification should be made in the UE language. Therefore, I propose to clarify my proposed language in the following manner:

> The Company shall provide service connections to new customers within 15 working days at the requested location after being notified by the party who completed the service application request that ~~once~~ property grading is in place, any obstructions or construction~~s~~ materials are removed, the location for the meter installation is prepared, and the Company determines a distribution main extension is not necessary in order to provide service.

Q. Based on the various changes you made to your proposed language, what language do you recommend the Commission adopt in UE's tariff in this proceeding regarding the amount of time to allow for new service connections?

A. I recommend UE alter its tariff's Terms and Conditions under Installation of Service, 1st Revised Sheet No. 11, by adding the following to the existing language:

> The Company shall provide service connections to new customers within 15 working days at the requested location after being notified by the party who completed the service application request that property grading is in place, any obstructions or construction materials are removed, the location for the meter installation is prepared, and the Company determines a distribution main extension is not necessary in order to provide service. The 15-day time limit does not apply for those instances where specialized equipment is necessary for or to install the service connection or in the event of work stoppages, insurrection, acts of terrorism, or other calamities that require the Company's resources be directed elsewhere.

Automated Meter Reading

Q. What recommendation did you make in your direct testimony regarding UE's AMR program?

A. My direct testimony stated that I had a concern that UE decided to employ the AMR system without conducting a cost/benefit study. Further, I noted that Mr. Davis' direct testimony was unclear regarding what benefits the AMR system provided. Therefore, I requested UE provide more detailed information in its

rebuttal testimony regarding the benefits and/or savings that result from using an AMR system.

Q. Did UE provide any information to address your concerns?

A. No, UE did not provide any rebuttal testimony that discussed or addressed my concerns. On June 3, 2003, I did receive a supplemental response No. 1 to Staff data request UE-ENG 1.33 that purports to provide more information regarding UE's AMR system. However, I was not able to review this material prior to the filing of my rebuttal testimony.

Q. What is your current recommendation with regard to UE's AMR system?

A. Since I have not seen any information that UE's decision to enter into the AMR system was the result of expected costs savings to ratepayers or provided other significant non-economic benefits to ratepayers, I recommend the removal of any costs associated with the AMR system from this proceeding. As shown on ICC Staff Exhibit 11.0R, Schedule 11.2 UE, the removal of the AMR system results in a $210,000 expense reduction.

Uncollectibles Expense

Q. Are you presenting Staff's position regarding the appropriate amount of uncollectibles expense that the Commission should allow UE to receive in this proceeding?

A. No. Staff's position on this topic is contained in the Rebuttal Testimony of Theresa Ebrey, ICC Staff Exhibit 10.0R.

Q. What is the purpose of your testimony as it relates to this topic?

A. My testimony explains why the comments made by Mr. Davis concerning any potential link between future gas costs and uncollectibles expense are irrelevant in determining the appropriate amount of uncollectibles expense the Commission should allow UE.

Q. What did Mr. Davis state in his testimony regarding the appropriateness of UE's requested level of uncollectibles expense?

A. Mr. Davis stated that the Staff's adjustment to UE's requested level of uncollectibles expense is inappropriate because it ignores that the uncollectibles expense during the test year is related to the higher cost of gas during the test year. He also noted that all the indicators show that gas costs will be higher in the foreseeable future versus a five-year historical period.

Q. What problems do you have with Mr. Davis' comments?

A. I have three problems with Mr. Davis' comments. First, Mr. Davis attempts to use future gas costs as a basis for making a change to a historical test year. However, my understanding is that, only known and measurable changes, or changes that are readily determinable, are allowed to historic test years. Mr. Davis' future gas costs are neither.

Second, his statements make the assumption that a direct correlation exists between high gas costs and high uncollectibles expense. However, Mr. Davis provides no evidence in support of this assumption.

Finally, Mr. Davis admits that the NYMEX gas prices that he references are not entirely reflective of the gas costs charged by UE, due to use of storage gas and other pricing mechanisms.

Q. What sort of adjustments are allowed for historical test years?

A. The Commission's Standard Filing Requirements, 83 Illinois Administrative Code 285, Section 150(e), allow for pro forma adjustments for all known and measurable changes in the operating results of a historic test year or if the changes are determinable.

Q. Do you consider Mr. Davis' recommendation to rely on future gas costs as support for not adjusting the uncollectibles expense a known and measurable change?

A. No.

Q. Do you agree that there exists a correlation between high gas costs and a high uncollectibles expense?

A. No. I do not believe such a correlation exists because higher gas costs do not automatically result in high gas bills. A large amount of a gas utility's load results

from winter heating. If the utility experiences a warmer than normal winter season, its customers' gas usage is reduced. In that situation, if gas costs are high, the bill impact is reduced due to the lower usage. Therefore, if anything, the uncollectibles expense has some correlation to the temperatures experienced during the winter season not gas costs.

Q. Why is the reliance on future gas cost projections that are not reflective of UE's future gas costs a concern?

A. As I noted earlier, a change needs to be known and measurable or readily determinable. However, UE's attempted reliance on future gas costs that it admits are not fully reflective of its gas costs violates this requirement. Also, as was noted above, UE increased the amount of natural gas it places in storage and it also used various financial instruments to hedge its gas supply. Both of these events impact the actual gas costs that customers see from the utility. This further demonstrates that a future estimate on gas prices will likely not directly correspond to the price that ratepayers see from the utility.

Q. What is your recommendation to the Commission regarding Mr. Davis' reasons for using future gas prices as the basis for retaining UE's test year uncollectibles expense in this proceeding?

A. Based on my review, Mr. Davis' reasons are irrelevant to the issue of the appropriate amount of uncollectibles expense to allow UE in this proceeding. He attempts to make use of information that is not known and measurable and is not

readily determined. He also assumes an unproven linkage between high gas costs and high uncollectibles expense. Finally, he ignores the fact that the gas cost projections are not necessarily reflective of the actual gas costs that ratepayers will receive. Therefore, I recommend Mr. Davis' arguments not be given any weight in the consideration of the appropriate amount of uncollectibles expense determined in this proceeding

Q. Do you have any other UE recommendations?

A. No.

CIPS Adjustments

Working Capital Associated with Gas in Storage

Q. What recommendation did you make in your direct testimony regarding the amount of working capital allowance that CIPS should receive for the working gas contained in its leased and CIPS-owned natural gas storage fields?

A. I recommended that the Commission reduce CIPS' requested working capital allowance by $5,464,000. This reduction involved three parts. The first involved taking into account the higher than average levels of natural gas contained in each of the CIPS-owned and leased storage fields during the test year versus historical years. The second involved making a minor correction due to the use of actual information rather than estimated information. The third involved the

removal of any working capital allowance associated with the gas contained in three storage fields (Belle Gent, Rotherwood, and Richwood).

Q. Did CIPS dispute your adjustments?

A. Yes and no. CIPS agreed to the proposed adjustments to the Rotherwood and Richwood storage fields and was silent with regard to my recommendation that actual information rather than estimated information be used to calculate the appropriate value. However, CIPS disputed the remaining adjustments.

Q. What did CIPS state with regard to the use historical gas volumes to adjust the gas volumes contained in the various fields during the test year?

A. Mr. Davis in his revised rebuttal testimony noted that for two of the leased storage agreements, Panhandle and Trunkline, the larger volumes of natural gas in storage during the test year versus historical periods was due to a change in the contractual volume arrangements at those fields.

For the other two leased storage agreements, NGPL and Texas Eastern, Mr. Davis did not offer anything specific for those particular agreements other than his general note that the use of three to five year historical averages of storage inventories in the various fields appears to be arbitrary.

With regard to four CIPS-owned storage fields, Mr. Davis noted that CIPS had found an error in the information provided to Staff for some of the historical gas volumes for the Sciota storage field. Mr. Davis also noted that for two of the

fields, Sciota and Ashmore, CIPS had, during the test year, increased the gas volumes maintained at those fields. For a third field, Johnston City, Mr. Davis pointed out that during the first year of my five years of historical data, CIPS was still finishing injection/withdrawal wells and the gas volume levels were not fully in place at that time. Finally, with regard to CIPS' last owned storage field, Belle Gent, Mr. Davis disputed my assertion that CIPS should retire the field. Therefore, Mr. Davis did not agree with my recommendation to remove the entire working capital allowance associated with the Belle Gent storage field from the proposed rates in this proceeding.

Q. Do you agree with any of Mr. Davis' arguments?

A. Yes. I agree, given the change in the Panhandle and Trunkline leased storage contractual arrangements, that no adjustments should be made to the working capital allowance associated with those volumes. I am also revising my adjustments to three of the CIPS-owned storage fields, Sciota, Ashmore, and Johnston City, to account for the information that Mr. Davis provided in his rebuttal testimony. However, I continue to recommend a working capital disallowance for each of those fields, as will be detailed below.

Q. What is your current recommendation regarding CIPS working capital allowance?

A. I recommend a reduction to CIPS' working capital associated for gas in storage of $~~$891,000~~ $842,000.

Average Storage Volume

Q. In your direct testimony, you noted that the volume of gas contained in storage during the test year was larger than any of the historical periods that you reviewed and therefore the volume of gas that CIPS is allowed for a working capital allowance needed adjustment. Have you changed your opinion in this matter?

A. No. With the exception of the two leased storage fields (Panhandle and Trunkline) where CIPS changed the contractual volumes just prior to the start of the test year, I continue to recommend a reduction in the volumes at each of the storage fields.

Q. Do you have any additional information that indicates the volume of natural gas left in the various storage fields was higher during the test year then in other years?

A. Yes. I have two additional pieces of information. First, Mr. Davis, notes on page 11 of his revised rebuttal testimony that a portion of the increased inventory at the Sciota storage field is attributable to reduced withdrawals as a result of unusually warm weather in 2001. However, this same warm weather also impacted every other storage field owned or leased by CIPS in 2001. With warm weather, the necessity for withdrawing gas from storage is usually lessened due to a reduction in the heating requirements for customers.

Second, for the five storage fields that I continue to recommend an average inventory reduction, I conducted a comparison of the volume of natural gas contained or reserved in storage versus the amount of gas withdrawn over the past several winters and the most recent winter season. This analysis, contained in ICC Staff Exhibit 11.0R, Schedule 11.5 CIPS, shows for four of the five fields the percentage of natural gas removed during the season was the lowest during the test year. This further indicates to me that the volume of gas contained in storage during the test year is higher than normal and should be adjusted downward.

Q. Have you altered your recommendation regarding what the Commission should allow CIPS as the appropriate working capital allowance for gas in storage at the NGPL and Texas Eastern leased storage fields?

A. No. The recommendation that I made in my direct testimony has not changed. I continue to recommend a reduction of $26,000 for the NGPL leased storage field and $135,000 for the Texas Eastern storage field, as shown on ICC Staff Exhibit 11.0R, Schedule 11.1 CIPS.

Q. What disallowance did you recommend in your direct testimony with regard to the Ashmore storage field?

A. I recommended an adjustment of $563,000.

Q. Have you changed your recommendation?

A. Yes. I am now recommending an adjustment of $248,000, as shown on ICC Staff Exhibit 11.0R, Schedule 11.1 CIPS.

Q. Why are you altering your recommendation?

A. As Mr. Davis noted on page 10 of his revised rebuttal testimony CIPS recently increased the volume of working gas associated with this field by 185,000 MMBtu. The additional gas was injected during the summer and fall of 2001. This time frame also corresponds to the beginning of the test year for CIPS.

The 185,000 MMBtu increase in gas volumes is a known and measurable adjustment. Therefore, I agree that some allowance should be made for the increased amount of gas that CIPS has injected into the field.

Q. How did you determine the appropriate percentage of the 185,000 MMBtu of additional inventory that CIPS put into the Ashmore storage field to add to the volume you determined in your direct testimony?

A. I took the average of the percentage that resulted from comparing the 13-month average for a given time period to the amount of gas withdrawn during the historical winter season. Using this number, I estimated the impact the additional 185,000 MMBtu would have on the average that I calculated. ICC Staff Exhibit 11.0R, Schedule 11.2 CIPS, page 2 of 2, shows this calculation and the resulting amount of additional volume of gas that I allowed for the Ashmore storage field.

As a result of this calculation, my recommended disallowance is now $248,000, as shown on ICC Staff Exhibit 11.0R, Schedule 11.1 CIPS.

Q. What disallowance did you recommend in your direct testimony with regard to the Sciota storage field?

A. I recommended a disallowance $193,000.

Q. Have you changed your recommendation?

A. Yes. I am now recommending an adjustment of $~~70,000~~ 21,000, as shown on ICC Staff Exhibit 11.0R, Schedule 11.1 CIPS.

Q. Why are you altering your recommendation?

A. As Mr. Davis noted on page 11 of his revised rebuttal testimony, CIPS found an error in the information that it had submitted to me for the period June 1997 through December 1997. Mr. Davis also noted that CIPS had increased the volume of working gas associated with this field by about 50,000 MMBtu. My review of the data provided by CIPS indicates the increased volumes were injected during the time frame that corresponds to the test year in this proceeding.

The revised 1997 inventory data as well as the 50,000 MMBtu inventory increase are known and measurable changes. Therefore, I agree that some allowance should be made for the increased amount of gas that CIPS has identified.

Q. What is the impact of reflecting the revised 1997 inventory data in your analysis?

A. As shown in ICC Staff Exhibit 11.0R, Schedule 11.3 CIPS, ~~page 1 of 2,~~ revising the 1997 inventory information caused a $6,000 reduction to my adjustment.

Q. ~~What~~ How did you determine as the appropriate percentage of the 50,000 MMBtu of additional inventory that CIPS put into the Sciota storage field to add to the volume you determined in your direct testimony?

A. ~~I took the average of the percentage that resulted from comparing the 13-month average for a given time period to the amount of gas withdrawn during the historical winter season for that same time period. Using this number, I estimated the impact the additional 50,000 MMBtu would cause on the average that I calculated. ICC Staff Exhibit 11.0, Schedule 11.3 CIPS, page 2 of 2, shows this calculation and the resulting amount of additional volume of gas that I allowed for the Sciota storage field. As a result of this calculation, my recommended disallowance, including the use~~ After reviewing CIPS' usage rates at Sciota, I determined that all of the 50,000 MMBtu of additional inventory should be added to the 13-month average. My adjustment for the Sciota storage field, after accounting for the additional 50,000 MMBtu of injection activity and using the revised 1997 inventory data, is now $~~70,000~~ 21,000, as shown on ICC Staff Exhibit 11.0R, Schedule 11.1 CIPS.

Q. What disallowance did you recommend in your direct testimony with regard to the Johnston City storage field?

A. I recommended a disallowance $158,000.

Q. Have you changed your recommendation?

A. Yes. I am now recommending an adjustment of $122,000, as shown on ICC Staff Exhibit 11.0R, Schedule 11.4 CIPS.

Q. Why are you altering your recommendation?

A. As Mr. Davis noted on page 12 of his revised rebuttal testimony, CIPS did not have all of the Johnston City injection/withdrawal wells in place until 1997. Also, a review of the information provided by CIPS indicated that the amount of gas contained in storage at this field in 1997 was not representative of the volumes for subsequent time periods. Therefore, I omitted the 1997 data from the average volume that I calculated in order to address the concerns raised by Mr. Davis. After accounting for this change, my recommended disallowance is now $122,000, as shown on ICC Staff Exhibit 11.0R, Schedule 11.4 CIPS.

Richwood and Rotherwood Storage Fields

Q. What recommendation did you make in your direct testimony regarding the Richwood and Rotherwood storage fields?

A. I recommended the removal of any working capital allowance for that gas in storage associated with the Richwood and Rotherwood storage field. I also recommended that CIPS review its books and verify that there are no rate base

or expense requests in the instant proceeding associated with the Richwood storage field. Finally, I noted that CIPS should remove any rate base or expense associated with the Richwood storage field from its requested rates.

Q. Did CIPS agree with your recommendations?

A. Yes. CIPS removed its requested working capital allowance for the gas in storage for both the Richwood and Rotherwood storage fields. CIPS' actions were consistent with the recommendations I made in my direct testimony.

CIPS also agreed to remove any rate base or expense associated with the Richwood storage field. Staff witness Carolyn Bowers in ICC Staff Exhibit 9.0R is covering this topic in her rebuttal testimony.

Q. Do you have any other issues concerning the adjustments to the Rotherwood or Richwood storage fields?

A. Yes. I intended to treat the Richwood and Belle Gent storage fields in the same manner, that is recommend the retirement of both fields. I assumed in my direct testimony that the removal of any rate base or expense associated with the Richwood storage field was the same as requesting the retirement of the field. However, I was recently made aware that is not the case and that different accounting treatment is provided for the retirement of a facility versus removing its rate base and expense. Therefore, to clarify my position, I recommend that CIPS retire the Richwood storage field. The impact of retiring the Richwood

storage field is contained in the rebuttal testimony of Carolyn Bowers, ICC Staff Exhibit 9.0R.

Retirement of the Belle Gent Storage Field

Q. What recommendation did you make in your direct testimony regarding the Belle Gent storage field?

A. I recommended that CIPS retire the Belle Gent storage field.

Q. What was the basis for your recommendation?

A. I noted that CIPS could not use the Belle Gent storage field to provide peak day deliverability to its customers and the non-peak day withdrawals are very infrequent. I also concluded that CIPS' customers did not receive any net economic benefit from the operation of the field. Therefore, the field was neither needed nor economically justified. Therefore, I concluded the Belle Gent storage field is no longer "used and useful" and that CIPS should retired the field.

Q. What did CIPS state regarding your recommendation?

A. Mr. Davis, on pages 3 through 6 of his revised rebuttal testimony, explains why he disagrees with my assessment of the Belle Gent storage field. In particular, Mr. Davis noted that the storage field could provide peak day deliverability beginning in February should the peak occur then. He also noted that since the

field can withdraw gas in February and in the following months it was possible for the field to provide an economic benefit to customers.

Q. Do you agree with Mr. Davis' statement that the field can provide peak day deliverability?

A. No. All gas utilities in Illinois plan their supply portfolios to meet a potential peak demand load through a certain time frame, usually through the end of January or very early February. However, because the operation of the Belle Gent storage field is dependent upon a reduction in gas pressure in the neighboring Johnston City storage field, CIPS does not rely upon it for peak day deliverability. Therefore, the Belle Gent storage field is not needed for CIPS to supply its customers' peak day deliverability demands.

As I noted in my direct testimony, CIPS could only provide me with twelve dates over the past ten years where it had withdrawn gas from the Belle Gent storage field and several of those occasions did not even occur during the winter season. Further, CIPS noted, in its response to Staff data request CIPS-ENG 1.47, that its gas supply portfolio would have allowed it to provide reliable service to its customers in the event the Belle Gent storage field's capacity had not been available during each of those twelve days. This indicates to me that the field is not needed for late winter season peak day deliverability.

Q. Do you agree with Mr. Davis' statement that the Belle Gent storage field can provide an economic benefit?

A. No. I do agree with the calculation that Mr. Davis' provided in his revised rebuttal testimony regarding the $17,000 in commodity gas savings CIPS achieved by operating the field during February 2003. However, Mr. Davis overlooks the other costs that are associated with the field and the fact that while some commodity gas cost savings were achieved in 2003, it was the first time the field had operated during the winter season since 1996. Stated differently, ratepayers waited seven years before receiving the $17,000 commodity gas cost reduction in 2003.

Q. What other costs are incurred if the Belle Gent storage field is not retired?

A. As indicated in CIPS' response to Staff data request CIPS-TEE-076, the Belle Gent storage field has $209,492 in plant in service, $5,103 in depreciation expense, $3,573 for other operating expense, and a working capital allowance for gas in storage of $295,799. CIPS indicated that the plant in service value was overstated because some common plant was also in the same account. CIPS estimated, in its response to Staff data request CIPS-ENG 1.67 and through discussions with Company witness Opich, that the total amount of Belle Gent plant in service is actually $127,138 (195,976 *.58 + 8,300 + 5,172).

I calculated that the above costs correspond to an annual revenue requirement of approximately $67,251[1] (using Staff's rate of return and its gross revenue conversion factor). Obviously, a $17,000 commodity savings in one year out of

[1] $67,251 = $5,103 + $3,573 + ($127,138 * 1.67064 * .0829) + ($295,799 * 1.67064 * .0829)

seven does not compare favorably to an annual cost of $67,251. Therefore, the Belle Gent storage field is not providing any economic benefit to ratepayers.

Q. What is your recommendation regarding the Belle Gent storage field?

A. CIPS failed to show that the Belle Gent storage field is needed in order to meet its customers' demand requirements. CIPS also failed to show how the storage field provides any economic benefits to its ratepayers. Therefore, the Belle Gent storage field is no longer used and useful and CIPS should retire the facility.

Installation of New Services

Q. Did CIPS agree with your proposal to modify CIPS' tariff to include a commitment to install new services in 15 working days or less?

A. No, Mr. Davis provided revised rebuttal testimony discussing why he disagreed with my recommendation. I have already addressed these arguments under the UE section of my rebuttal testimony. The statements I made regarding UE equally apply to CIPS.

Q. What is your current recommendation for tariff language changes to CIPS' tariff in order to place limits on providing new services?

A. I recommend, for the same reason I discuss under the UE section of my testimony, that CIPS alter its tariff's Terms and Conditions under Installation of

Service, Original Sheet No. 10.002, by adding the following to the existing language:

> The Company shall provide service connections to new customers within 15 working days at the requested location after being notified by the party who completed the service application request that property grading is in place, any obstructions or construction materials are removed, the location for the meter installation is prepared, and the Company determines a distribution main extension is not necessary in order to provide service. The 15-day time limit does not apply for those instances where specialized equipment is necessary for or to install the service connection or in the event of work stoppages, insurrection, acts of terrorism, or other calamities that require the Company's resources be directed elsewhere.

Uncollectibles Expense

Q. You also addressed uncollectibles expense in the UE section of your testimony. Is your UE discussion the same discussion you would provide for CIPS?

A. Yes. The comments made by Mr. Davis in his revised rebuttal testimony concerning any potential link between future gas costs and uncollectibles expense are irrelevant in determining the appropriate amount of uncollectibles expense the Commission should allow CIPS.

Q. Do you have any other CIPS recommendations?

A. No.

Q. Does this conclude your rebuttal testimony?

A. Yes.

Docket Nos. 02-0798/03-0008/
03-0009 (Consolidated)
ICC Staff Exhibit 11.0R
Schedule 11.1 UE

Summary of UE Adjustments

Direct Adjustments

1	Gas in Storage - Volume Adjustment (per Schedule 4.2 UE)	$125,000
2	Gas in Storage - Actual Inventory Value (Per Schedule 4.3 UE)	$2,000
3	Total Reduction to Working Capital Allowance for Gas in Storage	$127,000

Rebuttal Adjustments

Rate Base

4	Gas in Storage - Volume Adjustment - Withdrawn	$0
5	Gas in Storage - Actual Inventory Value (per Schedule 4.3 UE)	$2,000
6	Total Reduction to Working Capital Allowance for Gas in Storage	$2,000

Expenses

7	Reduction in AMR Expense	$210,000

Line 3 = Sum of Line 1 and 2
Line 6 = Sum of Line 4 and 5
Line 7 = Per Staff Exhibit 11.0R, Schedule 11.2 UE

Docket Nos. 02-0798/03-0008/
03-0009 (Consolidated)
ICC Staff Exhibit 11.0R
Schedule 11.2 UE

AMR Expenses

Month	Expense
July - 2001	$35,826.60
August - 2001	$17,685.32
September - 2001	$0.00
October - 2001	$19,153.14
November - 2001	$16,161.76
December - 2001	$19,279.83
January - 2002	$18,408.05
February - 2002	$14,818.04
March - 2002	$17,783.42
April - 2002	$16,693.52
May - 2002	$15,911.35
June - 2002	$18,695.85
Total	$210,416.88

Source: Response to Staff data request UE-ENG 1.27

Docket Nos. 02-0798/03-0008/
03-0009 (Consolidated)
ICC Staff Exhibit 11.0R
Schedule 11.1 CIPS

Summary of CIPS Adjustments

Direct Testimony Recommendation

1	Ashmore Storage Adjustment (per Schedule 4.2 CIPS)	$563,000	
2	Sciota Storage Adjustment (per Schedule 4.3 CIPS)	$193,000	
3	Johnston City Storage Adjustment (per Schedule 4.4 CIPS)	$158,000	
4	NGPL - DSS Storage Adjustment (per Schedule 4.5 CIPS)	$26,000	
5	Texas Eastern Storage Adjustment (per Schedule 4.6 CIPS)	$135,000	
6	Trunkline NNS Storage Adjustment (per Schedule 4.7 CIPS)	$126,000	
7	Panhandle Storage Adjustment (per Schedule 4.8 CIPS)	$3,416,000	
8	Belle Gent Storage Inventory Value (per Schedule 4.9 CIPS)	$297,000	
9	Rotherwood Storage Inventory Value (per Schedule 4.9 CIPS)	$392,000	
10	Richwood Storage Inventory Value (per Schedule 4.9 CIPS)	$165,000	
11	Gas in Storage - Actual Inventory Value (per Schedule 4.9 CIPS)	-$7,000	
12	Total Reduction to Working Capital Allowance for Gas in Storage	$5,464,000	

Rebuttal Recommendation

13	Ashmore Storage Adjustment (per Schedule 11.2 CIPS)	$248,000	
14	Sciota Storage Adjustment (per Schedule 11.3 CIPS)	~~$70,000~~	$21,000
15	Johnston City Storage Adjustment (per Schedule 11.4 CIPS)	$122,000	
16	NGPL - DSS Storage Adjustment (per Schedule 4.5 CIPS)	$26,000	
17	Texas Eastern Storage Adjustment (per Schedule 4.6 CIPS)	$135,000	
18	Trunkline NNS Storage - Staff withdrew Adjustment	$0	
19	Panhandle Storage - Staff withdrew Adjustment	$0	
20	Belle Gent Storage Inventory Value (per Schedule 4.9 CIPS)	$297,000	
21	Rotherwood Storage - Company Accepted Adjustment	$0	
22	Richwood Storage - Company Accepted Adjustment	$0	
23	Gas in Storage - Actual Inventory Value (per Schedule 4.9 CIPS)	-$7,000	
24	Total Reduction to Working Capital Allowance for Gas in Storage	~~$891,000~~	$842,000

Line 12 = Sum of Line 1 through 11
Line 24 = Sum of Line 13 through 23

Redacted

Ashmore Storage

Physical Inventory

	Year	Jan (MMBtu)	Feb (MMBtu)	March (MMBtu)	April (MMBtu)	May (MMBtu)	June (MMBtu)	July (MMBtu)	Aug (MMBtu)	Sept (MMBtu)	Oct (MMBtu)	Nov (MMBtu)	Dec (MMBtu)	13-Month Average (MMBtu)
1	2002													
2	2001													
3	2000													
4	1999													
5	1998													
6	1997													

13 - Month Average for Test Year = Sum of June 2001 through June 2002 divided by 13

7	Average 13 - Month Volume (MMBtu)	
8	Volume Difference (MMBtu)	
9	Test Year Average Price ($/MMBtu)	
10	Adjustment in Direct Testimony	$563,121

Row 1 = Ashmore Storage Volume per CIPS Response to Staff data request CIPS-ENG 1.8
Row 2 = Ashmore Storage Volume per CIPS Response to Staff data request CIPS-ENG 1.8
Row 3 = Ashmore Storage Volume per CIPS Response to Staff data request CIPS-ENG 1.8
Row 4 = Ashmore Storage Volume per CIPS Response to Staff data request CIPS-ENG 1.8
Row 5 = Ashmore Storage Volume per CIPS Response to Staff data request CIPS-ENG 1.8
Row 6 = Ashmore Storage Volume per CIPS Response to Staff data request CIPS-ENG 1.8
Row 7 = Average of 13 - Month Volume
Row 8 = Difference Between Test Year 13 - Month Average and Row 7 Volume
Row 9 =
Row 10 = Row 8 * Row 9

Redacted

Ashmore Storage

Adjusted Physical Inventory

	Winter Period	13-Month Average	Actual Usuage	Percentage Used
1	2000/2001			
2	1999/2000			
3	1998/1999			
4	Average			
5	Inventory Increase			185,000
6	Average additional volume			
7	Volume Adjustment from Direct			
8	Revised Volume Adjustment			
9	Value of Revised Volume Adjustment			$247,792

Row 1 = Schedule 11.2R, page 1 of 2, and CIPS Response to Staff data Request CIPS ENG 1.59
Row 2 = Schedule 11.2R, page 1 of 2, and CIPS Response to Staff data Request CIPS ENG 1.59
Row 3 = Schedule 11.2R, page 1 of 2, and CIPS Response to Staff data Request CIPS ENG 1.59
Row 4 = Sum of Row 1 through 3 Divided by 3
Row 5 = AmerenCIPS/UE Exhibit 11.0 (Rev.), page 10
Row 6 = Row 4 * Row 5
Row 7 = Schedule 11.2R, page 1 of 2, Row 8
Row 8 = Row 7 - Row 6
Row 9 = Row 8 * Row 9 of Schedule 11.2R, page 1 of 2

Redacted

Sciota Storage

Physical Inventory

	Year	Jan (MMBtu)	Feb (MMBtu)	March (MMBtu)	April (MMBtu)	May (MMBtu)	June (MMBtu)	July (MMBtu)	Aug (MMBtu)	Sept (MMBtu)	Oct (MMBtu)	Nov (MMBtu)	Dec (MMBtu)	13-Month Average (MMBtu)
1	2002													
2	2001													
3	2000													
4	1999													
5	1998													
6	1997													

13 - Month Average for Test Year = Sum of June 2001 through June 2002 divided by 13

7	Average 13 - Month Volume (MMBtu)	
8	Volume Difference (MMBtu)	
9	Test Year Average Price ($/MMBtu)	
10	Adjustment with Corrected Data ~~Rebuttal Adjustment~~	$186,624
11	Original Adjustment	$192,833
12	Impact of Revised 1997 Data	-$6,209
	Revised Volume Adjustment (MMBtu)	
	Rebuttal Adjustment	$20,624

Row 1 = Sciota Storage Volume per CIPS Response to Staff data request CIPS-ENG 1.8
Row 2 = Sciota Storage Volume per CIPS Response to Staff data request CIPS-ENG 1.8
Row 3 = Sciota Storage Volume per CIPS Response to Staff data request CIPS-ENG 1.8
Row 4 = Sciota Storage Volume per CIPS Response to Staff data request CIPS-ENG 1.8
Row 5 = Sciota Storage Volume per CIPS Response to Staff data request CIPS-ENG 1.8
Row 6 = Sciota Storage Volume per CIPS Response to Staff data request CIPS-ENG 1.8
Row 7 = Average of 13 - Month Volume
Row 8 = Difference Between Test Year 13 - Month Average and Row 7 Volume
Row 9 =
Row 10 = Row 8 * Row 9
Row 11 = Schedule 4.3
Row 12 = Row 10 - Row 11
Row 13 = Row 8 - 50,000 of gas injection per page 11 of AmerenCIPS/UE Exhibit 11.0 (Rev)
Row 14 = Row 13 * Row 9

Unredacted

Sciota Storage

Adjusted Physical Inventory

	Winter Period	13-Month Average	Actual Usuage	Percentage Used
1	2000/2001			
2	1999/2000			
3	1998/1999			
4	Average			
5	Inventory Increase			50,000
6	Average additional volume			
7	Volume Adjustment without accounting for 50,000			
8	Revised Volume Adjustment			
9	Value of Revised Volume Adjustment			$69,541

Row 1 = Schedule 11.3, page 1 of 2, and CIPS Response to Staff data Request CIPS ENG 1.59
Row 2 = Schedule 11.3, page 1 of 2, and CIPS Response to Staff data Request CIPS ENG 1.59
Row 3 = Schedule 11.3, page 1 of 2, and CIPS Response to Staff data Request CIPS ENG 1.59
Row 4 = Sum of Row 1 through 3 Divided by 3
Row 5 = AmerenCIPS/UE Exhibit 11.0 (Rev.), page 11
Row 6 = Row 4 * Row 5
Row 7 = Schedule 11.3, page 1 of 2, Row 8
Row 8 = Row 7 - Row 6
Row 9 = Row 8 * Row 9 of Schedule 11.2, page 1 of 2

Redacted

Johnston City - Physical Inventory

	Year	Jan (MMBtu)	Feb (MMBtu)	March (MMBtu)	April (MMBtu)	May (MMBtu)	June (MMBtu)	July (MMBtu)	Aug (MMBtu)	Sept (MMBtu)	Oct (MMBtu)	Nov (MMBtu)	Dec (MMBtu)	13-Month Average (MMBtu)
1	2002													
2	2001													
3	2000													
4	1999													
5	1998													
6														

13 - Month Average for Test Year = Sum of June 2001 through June 2002 divided by 13

7	Average 13 - Month Volume (MMBtu)	
8	Volume Difference (MMBtu)	
9	Test Year Average Price ($/MMBtu)	
10	Adjustment	$121,841

Row 1 = Johnston City Storage Volume per CIPS Response to Staff data request CIPS-ENG 1.8
Row 2 = Johnston City Storage Volume per CIPS Response to Staff data request CIPS-ENG 1.8
Row 3 = Johnston City Storage Volume per CIPS Response to Staff data request CIPS-ENG 1.8
Row 4 = Johnston City Storage Volume per CIPS Response to Staff data request CIPS-ENG 1.8
Row 5 = Johnston City Storage Volume per CIPS Response to Staff data request CIPS-ENG 1.8
Row 6 = Johnston City Storage Volume per CIPS Response to Staff data request CIPS-ENG 1.8
Row 7 = Average of 13 - Month Volume
Row 8 = Difference Between Test Year 13 - Month Average and Row 7 Volume
Row 9 =
Row 10 = Row 8 * Row 9

Redacted

Storage Field Usage Rates

	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003
NGPL DSS Capacity					
Winter Usage					
Percentage Used					
TETCO SS1 Capacity					
Winter Usage					
Percentage Used					
Ashmore Capacity					
Winter Usage					
Percentage Used					
Johnston City Capacity					
Winter Usage					
Percentage Used					
Sciota Capacity					
Winter Usage					
Percentage Used					

Per CIPS Response to Staff data request CIPS-ENG 1.58 and 1.59